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Supreme Court of the United States

HALO ELECTRONICS, INC., *et al.*,

Petitioners,

v.

PULSE ELECTRONICS, INC., *et al.*,

Respondents.

ON WRITS OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF OF MENTOR GRAPHICS CORP., MICROSOFT CORP. AND SAP AMERICA, INC. AS *AMICI CURIAE* IN SUPPORT OF NEITHER PARTY

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INTEREST OF *AMICI CURIAE*[1]

Amici are innovative businesses with multiple roles in our patent system. Each seeks patents on its inventions, licenses its patents to others, and obtains licenses under others' patents. And, each has sued for and been sued for alleged patent infringement. The current state of the law of "willfulness" in patent cases disserves each of these roles in our patent system. It penalizes companies for seeking patents on their inventions and for licensing their patents, and rewards patent owners for silently watching an infringer's business grow for years before asserting infringement. *Amici* submit this brief to address these important threshold points not addressed by the parties.

INTRODUCTION

The Federal Circuit has eroded a 180-year old Congressional grant of discretionary power to trial judges in patent suits. That grant gives the trial judge, not the jury, discretion to award the owner of a patent more than its actual damages from the patent's infringement. This discretionary power can serve core public policies of our patent system, but only when exercised with sound judicial discretion in view of the relevant circumstances—many necessarily hidden from a jury. Yet, the Federal Circuit

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1. Pursuant to Supreme Court Rule 37.6, counsel for *amici* represent that they authored this brief in its entirety and that none of the parties or their counsel, nor any other person or entity other than *amici*, or their counsel, made a monetary contribution intended to fund the preparation or submission of this brief. Pursuant to Supreme Court Rule 37.3, Petitioners and Respondents have each filed with the Clerk of the Court a letter granting blanket consent to the filing of *amicus* briefs, other than the Respondents in 14-1520. The consent from those Respondents is being submitted herewith.

requires trial judges to submit to the jury an important consideration in such a determination, *viz.*, whether the defendant had subjective intent to infringe. This and other restrictions imposed by the Federal Circuit have no basis in the statute or this Court's Seventh Amendment jurisprudence, and undermine core public policies of the patent system. Accordingly, this Court should restore a trial judge's discretionary power to award more than actual damages based on the judge's own assessment of the relevant circumstances.

In addition to overturning the Federal Circuit's error, the Court should guide trial judges in exercising their discretionary power. Such guidance is particularly needed because, while the Federal Circuit has strayed from the correct statutory interpretation, it was trying to solve real "practical concerns stemming from [its earlier] willfulness doctrine . . . ." *In re Seagate Tech., LLC*, 497 F.3d 1360, 1369 (Fed. Cir. 2007) (en banc). Specifically, the Court should guide trial judges to consider those circumstances relevant to the core public policies of our patent system—including the extent to which:

1. the patent owner:

    a. implemented a scientifically or commercially significant advance;

    b. made reasonable, clear, and consistent assertions about the patent's scope;

    c. diligently provided actual and clear notice of the alleged infringement;

d. acted reasonably to mitigate its damages from the infringement;

e. sued, when feasible, the source of the accused technology—best positioned to defend or change it—as opposed to a mere customer; and

f. was harmed by the infringement beyond the actual damages allowable under law;

2. the infringer:

a. independently developed its implementation, as opposed to copying the inventor's product or implementation details in the patent;

b. contributed to the public domain by invalidating claims or defeating overbroad assertions of claim scope;

c. made reasonable and diligent contentions that, if successful, would have contributed to the public domain;

d. made reasonable efforts to license the patent at a commercially reasonable price;

e. acted reasonably and diligently to work around a direct competitor's patent, once it became clear that the accused implementation likely infringed and would not be licensed; and

f. was economically prejudiced by the patent owner's undue delay providing actual and clear notice of the allegation of infringement; and

3. the patent owner and infringer:

a. acted reasonably in the litigation.

SUMMARY OF ARGUMENT

The parties focus too narrowly. Intertwined with the proper role of willfulness in a patent suit are the threshold questions of who decides willfulness—trial judge or jury—and what policies and circumstances are relevant when exercising the discretionary power to increase damages in a patent suit.

Congress has entrusted the power to award a patent owner more than its actual damages, to the sound discretion of the trial judge: "the court may increase the damages up to three times the amount found [by a jury] or assessed [by the court]." 35 U.S.C. § 284 (2012). And, for good reason. This discretionary power can serve core public policies of our patent system, but only when exercised with sound judicial discretion in view of the relevant circumstances.

The Federal Circuit, however, has vetoed much of this Congressional grant of discretionary power to trial judges. Its restrictions on the exercise of this power entrusted to trial judges harm our patent system by penalizing companies for seeking patents on their inventions and patent owners for licensing their patents,

and by rewarding patent owners for silently watching an infringer's business grow for years before asserting infringement.

This judicial veto is most evident in the Federal Circuit's requirement that trial judges give the issue of subjective willfulness to the jury—as the trial judges did in the two cases before the Court. This is error. The Federal Circuit has not justified this mandate under either the statute or the historical or functional analysis required by this Court's Seventh Amendment jurisprudence. These considerations demonstrate that willfulness was not a jury issue in a patent suit before adoption of the Seventh Amendment in 1791, U.S. Const. amend. VII, and should not be one today.

The Court should restore the trial judge's discretionary power to award more than the actual damages from patent infringement in view of the purposes of the patent system and the *trial judge*'s own determination of the relevant circumstances, including willfulness.

ARGUMENT

I. THE COURT SHOULD RESTORE TRIAL JUDGES' DISCRETIONARY POWER TO INCREASE PATENT DAMAGES.

A. Congress Granted Trial Judges The Discretionary Power To Award More Than The Actual Damages.

From our first Patent Act, Act of Apr. 10, 1790, ch. 7, § 4, 1 Stat. 109, 111, to today, 35 U.S.C. § 284 (2012),

juries have been limited to awarding actual damages, not punitive damages, for patent infringement. *See, e.g.*, *Birdsall v. Coolidge*, 93 U.S. 64, 64 (1876) ("[T]he jury are strictly limited in their finding to the actual damages which the plaintiff has sustained by the infringement"); *Seymour v. McCormick*, 57 U.S. 480, 489 (1853) ("[T]he Patent Act of 1836 confines the jury to the assessment of 'actual damages.'"); *Whittemore v. Cutter*, 29 F. Cas. 1120 (C.C.D. Mass. 1813) (No. 17,600) (Story, J.) (unlike some other torts, "only the actual damages sustained can be" awarded by the jury for patent infringement, which the court will then treble.)

In addition to the actual damages assessed by a jury, Congress initially provided that the infringer automatically "shall forfeit to the person aggrieved, the thing or things" that infringe. Act of Apr. 10, 1790, ch. 7, § 4, 1 Stat. 109, 111. Congress soon replaced this automatic-forfeiture provision with automatic trebling of the patent owner's actual damages. Act of Feb. 21, 1793, ch. 11, § 5, 1 Stat. 318, 322 ("pay to the patentee, a sum, that shall be at least equal to three times the price . . . which may be recovered"); Act of Apr. 17, 1800, ch. 25, § 3, 2 Stat. 37, 38 ("a sum equal to three times the actual damage sustained by such patentee"). But, in 1836, Congress replaced this automatic trebling with a more flexible tool to account for the circumstances of a particular action. Act of July 4, 1836, ch. 357, § 14, 5 Stat. 117, 123; *see In re Seagate Tech., LLC*, 497 F.3d 1360, 1378 (Fed. Cir. 2007) (en banc) (Gajarsa, J., concurring & Newman, J. joining) ("It would appear [from the legislative history], then, that the 1836 Act was intended to control not only the grant of unwarranted patents, but also to restore the flexibility of remedy that is the traditional judicial province.").

For 180 years, Congress has empowered trial judges to award in their discretion more than a patent owner's actual damages. While the exact language has varied slightly, Congress consistently has chosen not to expressly cabin the trial judge's discretion, beyond capping the total award to trebling of the actual damages:

1836: "[I]t shall be in the power of the court to render judgment for any sum above the amount found by [the] verdict as the actual damages sustained by the plaintiff, not exceeding three times the amount thereof, *according to the circumstances of the case* . . . ." Act of July 4, 1836, ch. 357, § 14, 5 Stat. 117, 123 (emphasis added).

1870: "[T]he *claimant* [complainant] shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby, and the court shall assess the same or cause the same to be assessed under its direction, and the court shall have the same powers to increase the same *in its discretion* that are given by this act to increase the damages found by verdicts in actions upon the case . . . ." Act of July 8, 1870, ch. 230, § 55, 16 Stat. 198, 206 (alteration in original) (second emphasis added).[2]

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2. This section 55 concerned a suit in equity, but a counterpart for suits in law was similar: "And whenever in any such action a verdict shall be rendered for the plaintiff, the court *may* enter judgment thereon for any sum above the amount found by the verdict as the actual damages sustained, according to the circumstances of the case, not exceeding three times the amount of such verdict, together with costs." Act of July 8, 1870, ch. 230, § 59, 16 Stat. 198, 207 (emphasis added).

1897 and 1922: "[T]he complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby; and the court shall assess the same or cause the same to be assessed under its direction. And the court shall have the same power to increase such damages, *in its discretion*, as is given to increase the damages found by verdicts in actions in the nature of actions of trespass upon the case." Act of Mar. 3, 1897, ch. 391, § 6, 29 Stat. 692, 694 (emphasis added); Act of Feb. 18, 1922, ch. 58, § 8, 42 Stat. 389, 392 (emphasis added).

1946: "The court shall assess said damages, or cause the same to be assessed, under its direction and shall have the same power to increase the assessed damages, *in its discretion*, as is given to increase the damages found by verdicts in actions in the nature of actions of trespass upon the case . . . ." Act of Aug. 1, 1946, ch. 726, § 1, 60 Stat. 778, 778 (codified at 35 U.S.C. § 70 (1946 ed.)) (emphasis added); *see also* 35 U.S.C. § 67 (1946 ed.) (counterpart provision for suits in law).

1952: "When the damages are not found by a jury, the court shall assess them. In either event the court *may* increase the damages up to three times the amount found or assessed." Act of July 19, 1952, ch. 950, 66 Stat. 792, 813 (codified at 35 U.S.C. § 284 (2012)) (emphasis added).

B. The Federal Circuit Has Vetoed Much Of The Discretionary Power Congress Granted Trial Judges.

The Federal Circuit has effectively vetoed much of this 180-year old statutory grant of discretionary power

to trial judges, imposing restrictions having no support in the statute.

First, the Federal Circuit has taken from trial judges one factor sometimes deemed dispositive of an increased-damages determination—subjective willfulness of the infringement. *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1250 (Fed. Cir. 1989) (holding that a patent owner has the right to jury trial of the issue of willfulness).

Second, the Federal Circuit has restricted trial judges from relying on an infringer's post-complaint positions and behavior in certain circumstances. *Seagate Tech.*, 497 F.3d at 1374.

Third, when reviewing trial judges' increased-damages determinations, the Federal Circuit considers only the infringer's behavior, without balancing it with the patent owner's behavior. *See Read Corp. v. Portec, Inc.*, 970 F.2d 816, 826-28 (Fed. Cir. 1992).

C. The Policies That Have Guided This Court's Interpretation Of Other Patent Act Provisions Should Guide Its Interpretation Of This Provision.

This Court again is called upon to interpret a provision of the Patent Act. When interpreting its provisions, this Court consistently has considered the entire statutory framework and its delicate balance among the competing public interests of (1) the would-be inventor lured by the promise of patent exclusivity; (2) the subsequent artisan seeking to build on previous advances either by licensing patented technology at a fair price or inventing around the

patent; and (3) the public desiring unencumbered use of the public domain. *See Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 262 (1979). The Court has cited this delicate balance again and again when interpreting the Patent Act, including its following three conditions for patentability:

Section 102: "[T]he patent system represents a carefully crafted bargain that encourages both the creation and the public disclosure of new and useful advances in technology, in return for an exclusive monopoly for a limited period of time. The balance between the interest in motivating innovation and enlightenment by rewarding invention with patent protection on the one hand, and the interest in avoiding monopolies that unnecessarily stifle competition on the other, has been a feature of the federal patent laws since their inception." *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 63 (1998).

Section 101: "Patent protection is, after all, a two-edged sword. On the one hand, the promise of exclusive rights provides monetary incentives that lead to creation, invention, and discovery. On the other hand, that very exclusivity can impede the flow of information that might permit, indeed spur, invention, by, for example, raising the price of using the patented ideas once created, requiring potential users to conduct costly and time-consuming searches of existing patents and pending patent applications, and requiring the negotiation of complex licensing arrangements." *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 132 S. Ct. 1289, 1305 (2012).

Section 112: "Section 112, we have said, entails a 'delicate balance.' On the one hand, the definiteness requirement must take into account the inherent

limitations of language. Some modicum of uncertainty, the Court has recognized, is the 'price of ensuring the appropriate incentives for innovation.' . . . At the same time, a patent must be precise enough to afford clear notice of what is claimed, thereby "appris[ing] the public of what is still open to them." Otherwise there would be '[a] zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims.'" *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2128, 2129 (2014) (citations omitted).

The Patent Act—including its grant of a discretionary power to trial judges to award more than actual damages—serves these competing public interests by simultaneously advancing three core policies.

First, a primary purpose of our patent system is to spur invention and public disclosure of inventions by promising patent owners substantial economic advantages. Granting trial judges the discretionary power to award more than actual damages advances this core purpose. Without it, the expense, burden and uncertainties of patent litigation too often would negate the economic incentives of an award of actual damages, thereby diluting the incentive to invent and seek patents disclosing those inventions.

Second, an equally important purpose of granting a patent—with clearly demarked boundaries—is to give others an economic incentive to innovate in the same area. Sometimes others are willing to pay a fair price for a license to build upon previous inventions, but they also are motivated to invent around the patent to avoid that cost. Granting trial judges the discretionary power to increase damages advances this core purpose also. For

example, among the factors trial courts should consider are (1) whether the infringer independently developed its product versus slavishly copied the patent owner's implementation, and (2) whether the patent owner strategically watched in silence as the infringer built its own innovations atop a feature the patent owner only later accused of infringement.

Third, there is a strong public policy that interested parties, including competitors and even patent licensees, be able to challenge the validity and scope of patent monopolies, in order to return to the public domain whatever the patent (or unreasonable assertions of the patent) had wrongly clouded or taken outright. For example, "the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain," led the Court to permit patent licensees to challenge validity because otherwise, "[i]f they are muzzled, the public may continually be required to pay tribute to would-be monopolists without need or justification." *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). Granting trial judges the discretionary power to award more than actual damages advances this core purpose as well. For example, trial judges should consider whether the infringer presented a strong challenge to the validity or scope of some of the patent claims, and whether the patent owner asserted an unreasonably broad scope of some of the patent claims.

In sum, just as these core public policies guide the interpretation and application of the statutory conditions for patentability, so too should they guide the interpretation and application of Congress's grant to trial judges of the discretionary power to award more than actual damages.

D. Trial Judges Should Consider The Behavior And Posture Of Both Parties.

Although designed primarily to punish and deter wanton infringement, the discretionary power Congress first granted trial judges in 1836 to award more than actual damages is not a "punitive damages" provision *per se*. *Smith v. Wade*, 461 U.S. 30, 36 n.5 (1983) (noting that the 1870 Patent Act's discretionary increased-damages provision did not "enact[] a punitive damages remedy as such, although [it] did create other forms of punitive civil remedies . . . not available at common law"). Rather, this discretionary power has a broader design and use. Under certain limited circumstances, it can compensate patent owners for losses not properly considered actual damages. "In order to provide for cases in which a verdict for the actual damages sustained would not afford complete redress to the plaintiff, the law empowers the court to increase the award of the jury to an amount not exceeding three times that fixed by the verdict." William C. Robinson, *The Law of Patents for Useful Inventions* § 1069 (1890) (citations omitted); *accord* D. Dobbs, *Handbook on the Law of Remedies* 440 (1973) ("This authority has been used partly as a penalty, as where it is thought that the defendant acted in bad faith, but it is clear that the provision permits an increase in damages to cover the possibility that assessed damages are insufficient because of proof difficulties.").

Accordingly, trial judges exercising this discretionary power considered the behavior and posture of *both* parties. In *Schwarzel v. Holenshade*, 21 F. Cas. 772, 773 (S.D. Ohio 1866) (No. 12,506), an exclusive licensee of a patent for a particular territory moved under the 1836

Act for trebling the damages awarded by the jury. The trial judge declined, noting that the plaintiff was not one who had toiled to make the invention practically useful but rather had purchased its license under the patent. *Id.* The trial judge cited as relevant factors the value of the improvement, the plaintiff's efforts to make it practically useful, whether the defendant's infringement was wanton and unjust, and whether the litigation was long and vexatious—all to determine whether "the sum that may be awarded by the verdict of a jury may be wholly inadequate as a compensation for the wrongs and injuries [plaintiff] has sustained." *Id. See also Gen. Motors Corp. v. Dailey*, 93 F.2d 938, 942 (6th Cir. 1937) (affirming denial of increased damages in part because the patent owner had delayed filing suit).

This Court likewise recognized that the Congressional purpose in empowering trial judges to award more than actual damages was broader than punishing wanton infringement. The Court identified some circumstances where this power of trial judges might be required to supplement the actual damages then allowable under the law: "Examples of the kind may be mentioned where the business of the infringer was so improvidently conducted that it did not yield any substantial profits, and cases where the products of the patented improvements were sold greatly below their just and market value, in order to compel the owner of the patent, his assignees and licensees, to abandon the manufacture of the patented product." *Birdsall*, 93 U.S. at 69. The Court later identified further circumstances: "the expense and trouble the plaintiff has been put to by the defendant, and any special inconvenience he has suffered from the wrongful acts of the defendant" cannot be awarded as part of actual

damages, "but these are more properly the subjects of allowance by the court, under the authority given to it to increase the damages." *Clark v. Wooster*, 119 U.S. 322, 326 (1886).

The legislative history of the 1836 Act supports this widely held Nineteenth Century view of the purposes behind Congress's grant to trial judges of the discretionary power to award more than actual damages. In part, Congress moved from automatic trebling of damages to a discretionary power to increase damages, in response to abusive litigation under the former automatic-trebling statute. *See Seagate Tech.*, 497 F.3d at 1377-78 (Gajarsa, J., concurring & Newman, J. joining) (citing legislative history criticizing pre-1836 patent law "which led to abusive wielding of the treble-damages club by undeserving patentees").

Consistent with both this history and the core public policies of our patent system, trial judges should consider, among other things, the extent to which the patent owner implemented the patented invention; acted diligently to notify the infringer of the allegation of infringement; and took reasonable and clear positions as to the scope of its asserted patent. And trial judges should consider the extent to which the infringer successfully narrowed the asserted scope of the asserted patent or invalidated some claims thereof; and either engaged in independent development or made a legitimate effort to invent around the asserted patent once it became clear that infringement was likely and a license was unavailable at a price it was willing to pay. Only by considering these and the other relevant circumstances identified *supra* in the Introduction, will trial judges' exercise of this

discretionary power advance the public policies embedded in the Patent Act.

E. Trial Judges Should Consider The Parties' Behavior Both Pre-Complaint And Post-Complaint.

The Federal Circuit has restricted trial judges' discretion to consider an infringer's post-complaint actions as part of an enhanced-damages determination: "when an accused infringer's post-filing conduct is reckless, a patentee can move for a preliminary injunction, which generally provides an adequate remedy for combating post-filing willful infringement. A patentee who does not attempt to stop an accused infringer's activities in this manner should not be allowed to accrue enhanced damages based solely on the infringer's post-filing conduct." *Seagate Tech.*, 497 F.3d at 1374 (citations omitted).

The Court should remove this artificial restriction. First, it does not make sense to condition a trial judge's discretionary power to award more than actual damages upon the patent owner moving for a preliminary injunction—which motion might, of course, be futile or denied for a host of reasons unrelated to the merits. Second, although the lack of pre-suit notice of the alleged infringement is a proper consideration in an enhanced-damages determination, it should not be a rigid barrier. A patent owner may not give pre-suit notice if it acts immediately upon issuance of the patent, or the parties are longstanding competitors who have had previous disputes. It is contrary to core purposes of the Patent Act to direct the trial judge to ignore an infringer's reckless post-complaint activity.

Similarly, the trial judge should be permitted to consider whether the patent owner was reckless or overreaching post-complaint in asserting some of its patent claims. Often, a patent or family of patents will have dozens of claims, and the alleged infringer will have successfully challenged the validity of some asserted claims either in federal court litigation or in post-issuance Patent Office proceedings. Or, the alleged infringer may have successfully argued for a narrower claim scope than that asserted by the patent owner. The trial court rightfully shields the jury from these post-complaint successes, but that does not render them irrelevant to the willful infringement analysis.

In sum, trial judges should consider the parties' post-complaint and pre-complaint behavior, as the above patent policies do not end with the filing of a complaint.

F. Four Scenarios Illustrate Application Of These Guidelines.

Four scenarios illustrate application of the above guidelines to advance public policies of our patent system.

The increased-damages provision should not be applied to penalize companies for inventing and seeking patents on their inventions. It is common today for a company with hundreds or thousands of its own patented inventions to be sued for patent infringement and read in the complaint that its infringement was "willful" because the asserted patent was one of thousands or tens of thousands of "prior art" references cited during Patent Office examination of those patents of the defendant. Typically, no one who actually developed the technology accused of infringement

(as opposed to patent lawyers responsible for obtaining patents) ever read the asserted patent. Nevertheless, as an unwelcome "reward" for inventing and disclosing its inventions in patent applications—thereby serving a core public policy of our patent system—the defendant may subject itself to a charge of "willful" patent infringement. Under a correct interpretation of this statute, a trial judge should consider the pro-patent-filing public policy of our patent system when evaluating such a dubious basis for a claim of willfulness.

The increased-damages provision should not be used to unfairly penalize companies for licensing their patents to competitors. Licensing is one way patents can spread new technological advances beyond the customers served by the patent owner. But, licensing one's patent to a competitor risks the competitor later repudiating the license agreement and simultaneously filing a complaint for declaratory judgment of patent invalidity or non-infringement. Under current Federal Circuit rules, such a licensee-turned-infringer can argue that it is immune from an increased-damages award because there was no "infringement" of the patent *pre-suit* on account of the license. No matter how wanton and harmful the infringement, the patent owner may be penalized for having granted a license to its patent. Under a correct interpretation of the statute, however, a trial judge would be freed of this artificial restriction and permitted to consider the post-complaint behavior of the parties.

The increased-damages provision should not be used to reward patent owners for watching silently as the infringer increases its reliance on the (later-accused) technology as a foundation for later developments. Such

delay defeats the public policy favoring competitors inventing around issued patents. Similarly, patent owners who try to obfuscate the scope of their patent, refusing to take clear positions on what their patent covers and does not cover, defeat this policy as well. A trial judge should hesitate to reward such patent-owner behavior with an increased damages award.

The increased-damages provision should not be used to penalize those who initially infringed a patent innocently and then responded to an allegation of infringement with a good-faith effort to either obtain a license at a fair price or invent around the patent. For example, a company may have been unaware of a patent when it added a new feature to its product and even for years after it sold the product. If the company was later notified and sued, it would be entirely reasonable for the company to take time to attempt to negotiate a fair price for a license, or take some time to ascertain the scope and validity of the patent and modify its product accordingly to avoid infringement. A trial judge should consider any such period of good-faith licensing negotiations or study and re-design when assessing what portion, if any, of the infringing activity was willful.

In sum, this discretionary power should be exercised in light of the same public policies this Court has cited again and again when interpreting the Patent Act, freed of the restrictions the Federal Circuit has imposed without regard to those policies and without basis in the statute.

II. WILLFUL INFRINGEMENT IS NOT A JURY ISSUE.

The Federal Circuit's greatest erosion of the discretionary power Congress granted trial judges to award more than actual damages, is its rule that subjective willfulness of the infringement is a question for the jury. Under the statute and this Court's Seventh Amendment jurisprudence, willful infringement is not a jury question.

A. There Is No Statutory Right To A Jury Trial Of Willfulness.

Plainly, there is no statutory right to a jury trial on the issue of willfulness. Section 284 does not mention willfulness. *See Seagate Tech.*, 497 F.3d at 1377 (Gajarsa, J., concurring & Newman, J. joining). Willfulness is not an element of any liability theory or actual-damages theory under the Patent Act. Instead, it relates solely to exercise of the discretionary power of a trial judge to award more than the jury's actual damages award. For 180 years, the Patent Act expressly has given that power to trial judges not juries.

B. There Is No Seventh Amendment Right To A Jury Trial Of Willfulness.

There is no Seventh Amendment right to a jury trial on the issue of willfulness of patent infringement because—as with claim construction—the jury need not "shoulder this responsibility *as necessary to preserve the 'substance of the common-law right of trial by jury.'*" *Markman v. Westview Instruments, Inc.* 517 U.S. 370, 377 (1996) (citations omitted) (emphasis in original); *see Tull v.*

United States, 481 U.S. 412, 426 (1987) ("The assessment of civil penalties [for violation of the Clean Water Act] thus cannot be said to involve the 'substance of a common-law right to a trial by jury,' nor a 'fundamental element of a jury trial.'"). As in *Markman*, 517 U.S. at 377-88, this conclusion follows from both historical and functional considerations.

1. Historically, Juries Apparently Did Not Decide Willfulness In A Patent Suit.

Historically, it appears that willfulness was not presented to juries in patent suits before 1791. Professor Janice M. Mueller's review of selected English patent actions at law, from 1676 to 1834, suggested that willfulness was not an issue presented to English juries. "The early English cases discussed by the *Markman* Court do not suggest that the notion of willfulness even existed in 1791." Janice M. Mueller, *Commentary: Willful Patent Infringement and the Federal Circuit's Pending En Banc Decision in Knorr-Bremse v. Dana Corp.*, 3 J. Marshall Rev. Intell. Prop. L. 218, 224 (2004) ("*Mueller*"); *accord* John B. Pegram, *The Willful Patent Infringement Dilemma and the 7th Amendment*, 86 J. Pat. & Trademark Off. Soc'y 271, 280 (2004) ("*Pegram*") ("No [pre-1791] case was found in which a British jury addressed the issue of increased awards or punitive damages in patent infringement cases.").

Likewise, willfulness would not have been presented to American juries before adoption of the Seventh Amendment. The 1790 Patent Act did not permit juries to award punitive or increased damages in patent cases. *See* Act of Apr. 10, 1790, ch. 7, § 4, 1 Stat. 109, 111.

Under the later 1836 Act, which for the first time gave trial judges the discretion to award more than actual damages, it does not appear that juries were asked to decide willful infringement. "Willfulness simply was not part of the jury charge. Rather, the willfulness determination seemed to be inextricably part of the judge's decision to enhance or not enhance the amount of actual damages." *Mueller* at 226 (discussing certain cases cited in Professor Robinson's 1890 treatise).

This historical record distinguishes the issue of willfulness (and awarding more than actual damages) in patent actions from statutory damages in copyright actions. *Cf. Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340 (1998) (finding a Seventh Amendment right to trial by jury of the amount of statutory damages in copyright actions). Unlike the Patent Act, the Copyright Act gives copyright owners the option to elect an award of statutory damages instead of actual damages and profits. *Id.* at 342. An issue in *Feltner* was, in effect, whether a copyright owner waived its right to a jury trial of damages when it elected this alternative damages theory. The Court ruled that it did not, in part because juries awarded, and sometimes were authorized to determine the amount of, statutory damages for copyright infringement both before and after the 1791 adoption of the Seventh Amendment. *Id.* at 349-54. Here, in contrast, the discretionary award of more than the actual damages assessed by a jury in a patent suit is a power unknown until 1836.

2. Functionally, Juries Are Ill-Suited To Decide Willfulness In A Patent Suit.

"Functional considerations," *Markman*, 517 U.S. at 388, likewise demonstrate that there is no Constitutional right to a jury trial of willfulness in a patent infringement suit. Trial judges are better positioned to determine willfulness in light of "the statutory policies that ought to be furthered by the allocation" between jury and judge. *Markman*, 517 U.S. at 384. *See Pegram* at 283-84.

First, juries necessarily are shielded from many of the circumstances relevant to willfulness. For example, they learn little or nothing about pre-trial motion practice, such as the strength of an infringer's unsuccessful claim-construction positions or its defenses based on those positions. Trial judges naturally are reluctant to allow defendants to present to the jury why the judge's pre-trial rulings were wrong. Juries do not learn of the infringer's success in invalidating and/or narrowing multiple claims of the patent pre-trial. An infringer might, for example, successfully invalidate a dozen broad claims pre-trial, or in post-issuance Patent Office proceedings, but the jury sees only the surviving asserted claims. Similarly, juries typically do not learn of an infringer's unsuccessful but reasonable settlement efforts to obtain a license to the patent, or whether the infringer faced inconsistent claim-construction positions or infringement allegations from the patent owner. Nor do they learn of any retroactive changes in the governing substantive law, favoring one party or the other, after the infringement began.

Second, a trial judge is better able to assess the behavior of the infringer and patent owner, relative to the

public interests served by our patent system. Two typical examples illustrate this functional advantage of judges over juries in assessing willfulness.

As noted above, it is common today for a charge of willfulness to be based on the mere citation of the asserted patent as prior art during Patent Office examination of one of the defendant's own patents. A trial judge is much better suited than a jury to appreciate the practical realities, and public policies, of our patent system when evaluating such a dubious basis for a claim of willfulness.

As a second example, a core purpose of our patent system is to encourage workers in the field to read issued patents and hopefully use them as springboards to further advances. But, giving subjective willfulness to juries undermines this purpose by penalizing skilled artisans (and their companies) for looking at others' patents. If one of a company's engineers read the asserted patent, that will be argued to the jury as evidence of willful infringement, even if the alleged infringer attempted to license the patent at a fair value, or invented around most of the patent claims. This is one oft-cited reason why many companies prohibit their employees from looking at patents. *See, e.g.*, Mark A. Lemley, *Ignoring Patents*, 2008 Mich. St. L. Rev. 19, 21 ("Companies and lawyers tell engineers not to read patents in starting their research, lest their knowledge of the patent disadvantage the company by making it a willful infringer.") A trial judge, again, is better able to appreciate this core public policy when evaluating such an assertion of willfulness. A trial judge will better appreciate that there are legitimate reasons to look at a competitor's patents, and even to copy ideas described but not claimed in a patent. *Bonito*

Boats, Inc. v. Thunder Craft Boats, Inc., 489 U.S. 141, 165 (1989) (federal patent laws grant a federal right to copy and use "potentially patentable ideas which are fully exposed to the public.") These and other practical and policy considerations make a trial judge more likely to determine "willfulness" in a manner consistent with the Patent Act's policies.

Third, because willfulness properly can be adjudged only after considering all of the relevant circumstances, some of which play out during the litigation itself, it is best considered post-verdict, as part of any enhanced-damages motion and any attorney fees motion. Only then can the trial judge fully assess and balance the behavior of each party pre- and post-complaint as well as the adequacy of the actual damages award, in the context of the patent system's core public policies. *See Swofford v. B&W, Inc.*, 336 F.2d 406, 413 (5th Cir. 1964) ("questions of willfulness, deliberateness, and increased damages should properly await final judgment.").

Fourth, allowing juries to hear evidence of alleged willfulness necessarily risks skewing the jury's deliberations on liability and damages. For example, jurors might trade a finding of "no willfulness" for a doubling of the damages awarded—without the trial judge or appellate court knowing.

In sum, Congress entrusted this power to trial judges—not juries—for good reasons.

C. The Federal Circuit Has Not Conducted The Required Seventh Amendment Analysis.

For 26 years the Federal Circuit has maintained that there is a right to a jury trial of willfulness—without conducting the historical and functional analyses required by this Court's Seventh Amendment jurisprudence.

Prior to creation of the Federal Circuit, circuit courts were divided on whether there is a Seventh Amendment right to a jury trial of the issue of willfulness in patent suits. *Compare Swofford*, 336 F.2d at 411-14 (no right) *with Hammerquist v. Clarke's Sheet Metal, Inc.*, 658 F.2d 1319, 1326-27 (9th Cir. 1981) (willfulness is a question of mental state for a jury); *see* 7 Donald S. Chisum, *Chisum on Patents* § 20.03[4][b][vii] (2014) (citing conflicting decisions).

In 1989—with scant analysis—the Federal Circuit held that parties have a Seventh Amendment right to trial by jury of the issue of willfulness of infringement of a patent. *Richardson*, 868 F.2d at 1250 ("Absent sufficient basis for directing the verdict, Richardson has the right of jury determination of this factual question. Willfulness of behavior is a classical jury question of intent."). Earlier, in *Shiley, Inc. v. Bentley Labs., Inc.*, 794 F.2d 1561, 1568 (Fed. Cir. 1986), a trial court had labelled as "advisory" the jury's finding on willfulness "to enable it to exercise the court's statutory discretion to award increased damages." The Federal Circuit faulted that, and held that, "if the jury finding is that willful infringement did not occur and that finding is not overturned on a motion for JNOV, no basis for assessing increased damages for willful infringement exists." *Id.*

The Federal Circuit has strictly enforced this restriction on a trial judge's discretionary power to award more than actual damages. For example, it has prohibited trial judges from reweighing evidence that underlay a jury's finding on willfulness. *Jurgens v. CBK, Ltd.*, 80 F.3d 1566, 1572 (Fed. Cir. 1996).

But, the Federal Circuit has maintained this position without conducting the analysis mandated by this Court's Seventh-Amendment precedents, including *Markman* and *Tull*. Judge O'Malley made this very point in her concurring opinion in this case (*Halo*): "The mere presence of factual components in a discretionary inquiry does not remove that inquiry from the court to whom congress reposed it. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 992 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996) ('Even within the realm of factual questions, whether a particular question must always go to a jury depends 'on whether the jury must shoulder this responsibility as necessary to preserve the substance of common law right of trial by jury.' (quoting *Tull*, 481 U.S. at 417))." *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 769 F.3d 1371, 1386 (Fed. Cir. 2014) (O'Malley, J., concurring & Hughes, J., joining).

CONCLUSION

The power Congress granted trial judges to award more than the patent owner's actual damages is not one to be used often. Nonetheless, used properly it is an important tool for balancing the competing public interests at the heart of our patent system. When properly interpreted to allow trial judges to consider the relevant behavior and posture of both the infringer and the patent owner both post-complaint and pre-complaint, this discretionary

power can further motivate inventors to seek patents, others to license or invent around those patents, and competitors to challenge patents improperly taking from the public domain. Conversely, as misinterpreted and misapplied by the Federal Circuit, this power to increase a patent damages award can penalize companies for seeking patents and patent owners for licensing their patents, and reward patent owners for watching silently as an infringer increasingly builds atop a later-accused feature. To restore this grant to its proper, positive role, the Court should overturn the Federal Circuit's restrictions on this discretionary power, return the issue of subjective willfulness to trial judges, and guide trial judges in their application of this discretionary power.

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